

# Request for Qualifications

PARTICIPATING NON-PROFIT AFFORDABLE HOUSING  
DEVELOPERS

FOR THE

DISTRICT OF COLUMBIA  
DEPARTMENT OF HOUSING AND  
COMMUNITY DEVELOPMENT

SITE ACQUISITION FUNDING INITIATIVE

Under

THE HOUSING PRODUCTION FUND

FOR AFFORDABLE HOUSING

RFQ Available

May 23, 2005

Deadline for Submission

June 13, 2005

Issued by:

Department of Housing and Community Development

801 North Capitol Street, N.E.

Washington, D.C. 20002

| RFQ Schedule  |  |
|---------------|--|
| May 23, 2005  | Issuance of Developer RFQ  |
| June 13, 2005 | Responses due  |
| June 27, 2005 | Select Developers  |
| June 29, 2005 | Forward initial list of participating eligible developers to Lenders |
| July 1, 2005  | Developers begin to make application to Lenders                      |

## Overview

The District of Columbia Department of Housing and Community Development (DHCD) is seeking to assist non-profit affordable housing developers (“Developers”) by making loans to lenders (“Lenders”) who will in turn provide site acquisition loans, oversight and technical assistance to Developers.

**Problem:** Many of the District's neighborhoods are rapidly changing due to escalating real estate prices. Affordable housing providers find it more and more difficult to quickly capture site opportunities due to lack of readily accessible resources. Resources are needed to quickly respond to market opportunities.

**Approach:** The Site Acquisition Funding Initiative under the Housing Production Fund for Affordable Housing (“SAFI”) leverages DHCD funds with private monies to provide quick-closing, easily accessible, revolving loan funds to non-profits committed to affordable housing. The Initiative will:

- Leverage public and private resources.
- Cause DHCD to participate with Lenders which are already actively funding affordable housing development in the District.
- Assist nonprofit Developers to compete in the current District real estate market.
- Provide a streamlined process to administer acquisition funding, by relying on lenders who are investing their own funds together with DHCD’s.

## Role of Lenders

DHCD will invest funds with Lenders to leverage the Lender’s own Site Acquisition lending activities. DHCD intends to select several Lenders. Each Lender would:

- Receive a Master Loan from DCHD.
- Use the proceeds of the Master Loan together with its own monies to make quick-closing site acquisition loans and pre-development loans for eligible projects and Developers.
- Market, underwrite, originate and service its site acquisition loans, including sharing of risk with the District.

## Role of Developers

Nonprofit Developers who participate in the Program will:

- Apply to Lenders for funds to:
  - Purchase sites for development as affordable housing that meets the requirements of the Housing Production Trust Fund.
  - Pay predevelopment expenses and purchase options on sites.
- Carry out the pre-development process to bring the project to readiness to proceed with construction.
- Apply for long-term gap financing on the same basis and through the same DHCD NOFA/RFP as other DHCD projects at that time.
- Repay site acquisition loans to the Lender, as projects obtain construction financing.

## Eligible Developers

A Developer may be eligible to apply for a loan from the Site Acquisition Funding Initiative under the Housing Production Fund if the Developer:

- Is a non-profit housing developer or joint venture with the non-profit having at least 51% management control;
- Demonstrates a successful track record in projects of the size, scale and complexity to be funded by the Site Acquisition Funding Initiative under the Housing Production Fund;
- Can establish, to the satisfaction of DHCD, reasonable capacity to access the financing required to develop projects with SAFI funds;
- Can establish to the satisfaction of DHCD its management capabilities with respect to development, ownership or operation of affordable housing;
- Certifies its compliance and warrants continued compliance with all applicable non-discrimination, equal opportunity, affirmative action, and local, small, disadvantage business enterprise requirements of the federal and District governments;
- Has a certificate of good standing from the Department of Consumer and Regulatory Affairs (DCRA); and
- Has a satisfactory credit report.

The Developer may base its qualifications as to experience, track record and management capabilities in part on other entities which are part of its ongoing development team (architect, development consultant, construction management and/or general contractor, etc.). These other members of the development team must be able to demonstrate a successful performance history in projects of the type and scale to be funded by the SAFI.

If the Developer intends to propose projects containing supportive services, a qualified service provider should be identified as a member of the development team.

It is the policy of the District of Columbia government and the Department of Housing and Community Development to provide maximum economic opportunities for District of Columbia local, small, disadvantage businesses and residents whenever the District of Columbia invests public dollars.

### Ineligible Borrowers

Neither the Developer nor any member of a proposed development team may be entities which:

- Are officially excluded or debarred from participation in District of Columbia or federal contracting activities;
- Are debarred by the US Department of Housing and Urban Development;
- Are prohibited by act of law from participating in District of Columbia contracting activities;
- Have been suspended voluntarily or involuntarily from participation in any federal or District Programs;
- Have outstanding income/withholding taxes or any other type of indebtedness, due to the District of Columbia, including prior DHCD obligations, former lease payments or defaulted loans/grant(s) from the former Office of Business and Economic Development;
- Are delinquent on city obligations , including but not limited to, income taxes, real estate taxes and water and sewer charges;
- In the past five years, have been a party to chronic housing code violations, excessive tenant complaints, or substantial judgments;
- Have had chronic past due accounts, substantial liens or judgments, foreclosures or bankruptcies within the past five years; and
- Have defaulted on any obligation to the District of Columbia within the past ten years.

### Application and Evaluation Process

Interested Developers should submit a narrative response to the questions listed in Attachment 3 to DHCD by no later than 4:00 PM, on June 13, 2005. The submittals shall not exceed 5 pages (plus any list of projects and staff resumes). Applications shall be submitted to:

The Development Finance Division Second Floor  
Department of Housing and Community Development  
801 North Capitol Street, N.E.  
Washington, D.C. 20002

DHCD will review applications and select Developers by June 27, 2005. As soon as possible, DHCD will advise applicants of the disposition of their applications and shortly thereafter forward an initial list of eligible Developers to the participating Lenders.

Developers who submit a response after June 13, 2005 will be reviewed and may be added to the eligible Developer list at a later date.

#### ATTACHMENTS

1. Terms and conditions for Site Acquisition Loans
2. Terms and conditions for Pre-Acquisition Loans
3. Form of Developer Application
4. Form of Developer Certifications

## ***ATTACHMENT 1:***

### ***TERMS AND CONDITIONS OF SITE ACQUISITION LOANS***

#### ***ELIGIBLE BORROWERS***

|                                       |  |
|---------------------------------------|--|
| <b>Eligible Borrower Type</b>         | Non-profit housing developer or joint venture with non-profit having at least 51% management control.  |
| <b>DCHD Pre-Approval</b>              | Non-profit Developer must be on DCHD pre-approved list of experienced non-profit affordable housing Developers.  |
| <b>Additional Lender Requirements</b> | Lenders may impose their own requirements for Borrowers such as experience with project of proposed size, proposed tenure type, supportive housing needs, etc. |

#### ***ELIGIBLE PROJECTS***

|                            |  |
|----------------------------|--|
| <b>Eligible Properties</b> | Properties in the District of Columbia consisting of at least 10 units for development as rental housing (except for special needs housing, which shall be at least 5 units) or at least 5 units for development as ownership housing. |
|----------------------------|--|

#### **Affordability:**

- |                      |  |
|----------------------|--|
| • <b>Levels</b>      | Each project shall meet the occupancy and rent level requirements of the Housing Production Trust Fund.                |
| • <b>Term</b>        | Units shall be affordable for a term of at least 40 years for rental projects and 15 years for homeownership projects. |
| • <b>Enforcement</b> | Affordability covenants shall be recorded at the time of the Site Acquisition Loan.                                    |

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|----------------------------|---|
| <b>Project Feasibility</b> | Lender shall determine that the project is feasible and eligible for Housing Production Trust Fund financing as proposed by the Borrower, with underwriting based on its standard requirements regarding project development budget, proposed operating budget, proposed sources and uses, and likelihood that other financial sources will be available on the terms proposed. |
|----------------------------|---|

#### **Required Documentation**

- Ratified Offer of Sale
- Recent Fair Market Value appraisal
- Preliminary development budget
- Preliminary pro forma analysis

|   |   |
|---|---|
|   | <ul style="list-style-type: none"> <li>• Proposed development time line and target dates</li> <li>• Current and needed zoning and land use approvals</li> </ul>   |
| <b>Other Pre-Construction Financing</b>     | Lender shall determine that the Borrower has access to financing (which may be other financing from Lender) to cover pre-construction expenses necessary to make the project eligible for construction and permanent financing.   |
| <b>Construction and Permanent Financing</b> | Borrowers shall propose a feasible plan for construction and permanent financing for the project. They may propose gap financing from DHCD as part of eventual project sources and uses. However, DHCD provides no assurance that projects funded by SAFI Loans will be funded in future DHCD NOFA/RFP's. |
| <b>General Eligibility Certification</b>    | <p>Borrower shall certify, as a condition of accepting funds; that:</p> <ul style="list-style-type: none"> <li>• the project will comply with all requirements of the HPTF.</li> <li>• the borrower will comply with all District and Federal governmental impositions.</li> </ul>                        |
| <b><i>ELIGIBLE COSTS</i></b>                |   |
| <b>Acquisition Cost of Property</b>         | Selling price of the property or fair market value, whichever is lower, plus all closing costs related to the acquisition of the property.  |
| <b><i>INELIGIBLE COSTS</i></b>              |   |
| <b>Taxes and Liens</b>                      | Federal and District Taxes, liens and related penalties.  |
| <b><i>LOAN TERMS</i></b>                    |   |
| <b>Loan Limit</b>                           | No limit. DCHD participation may not exceed Two Million Dollars (\$2,000,000.00).   |
| <b>Loan to Value</b>                        | Loans for property acquisition shall have an LTV not to exceed 100% of property's appraised value, plus the amount of any SAFI predevelopment loan funds being rolled into the acquisition loan.  |
| <b>Security</b>                             | Loan shall be secured by first trust lien on the property in favor of the Lender. Lender may require such additional collateral or recourse as it typically requires for its other site acquisition loans. Lender may require a deed in lieu of   |

foreclosure be given by borrower at the time of loan closing.

**Documentation**

Lender's standard application and origination documents. Lender's form loan documents shall be reviewed and approved by DHCD.

**Term of Loan**

Two (2) years from date of closing, with Lender's ability to extend to three (3) years.

**Repayment**

The Site Acquisition Loan will be repaid at the time of closing on construction/permanent financing for the development of the property.

**Application Fee**

Typical or standard application fee of Lender for other acquisition loans.

**Interest Rate**

Interest rate on SAFI Loans will be a blended rate of the Lender's applicable interest rate and 0.5%, proportionate to the ratio of Lender funds to DHCD funds or loan guarantee. The 0.5% spread over cost of DHCD funds is intended to compensate Lender for its costs.

**Interest Payments**

The Lender may require its usual schedule for interest payments.

**Availability of Other  
DHCD Funds**

Receipt of a SAFI Loan shall neither prohibit nor guarantee long-term funds from other DHCD programs. SAFI Loan projects will be evaluated and ranked on the same basis as other projects when evaluated under DHCD's normal NOFA/RFP process.

DHCD anticipates at least 50% of funds allocated in each year's NOFA will be committed to projects not receiving acquisition funding.

**Lender Compensation**

Lenders may charge their usual fees for loan applications, closing etc.

***LOAN COMPLIANCE***

**Development Plan**

As a requirement of receiving a SAFI Loan, Borrower must submit to Lender, and Lender will forward to DHCD, a comprehensive development plan for the development of the property within nine (9) months, but no later than twelve (12) months after loan closing. The Plan may propose changes to the initial development schedule and pro forma, subject to Lender and DHCD approval. DHCD will approve or disapprove the development plan within 10



business days.

**Failure to Develop**

Borrower's initial application and development plan must include a list of specific dates for achieving required development benchmarks. Lender must ensure that it has the ability to declare a default under the acquisition loan agreement for failure to meet the development schedule.

**Default**

Events of default shall include a failure to meet benchmark dates or to repay the loan when due.

Lender must exercise its reasonable discretion to determine whether a default should be declared, what steps should be taken to cure the default, and whether to initiate foreclosure proceedings.

The first objective of the program is to obtain performance by the borrower under the loan agreement; second, to transfer the property to another eligible and capable non-profit affordable housing Developer; and, only as a last resort, to require a sale of the property at its highest and best value on the open market to obtain repayment of Lender and DHCD funds. DHCD shall have the right to purchase the property for an amount not greater than the Lender's investment, unpaid interest and reasonable expenses, and may assign that right to a third party of its choice.

**Affordability Covenants**

Affordability covenants shall include the minimum requirements of the Housing Production Trust Fund (HPTF). The HPTF requires that funds be used to produce housing for, among other populations, low and moderate income families with incomes up to 80% of the median for the Standard Metropolitan Statistical Area. The required term of affordability is 40 years for rental projects and 15 years for homeownership projects.

Affordability covenants shall run with the land and bind the borrower and successive owners of the property.

Affordability covenants will be released only if the property is acquired by Lender through foreclosure or deed in lieu of foreclosure and the following conditions are met:

- The property has not been developed (rehabilitated or constructed) and initially rented as affordable housing.
- Lender has notified DHCD of foreclosure proceedings and allowed DHCD at least three (3) months to identify a qualified nonprofit affordable housing Developer to acquire the property for development.

- DHCD has elected not to exercise its right to purchase the property.
- The borrower does not obtain an ownership interest in the property after foreclosure or deed in lieu of foreclosure.

## ***ATTACHMENT 2:***

### ***TERMS AND CONDITIONS OF PRE-ACQUISITION LOANS***

#### ***ELIGIBLE BORROWERS***

Same as for Site Acquisition Loans.

#### ***ELIGIBLE PROJECTS***

**Eligible Properties** Same as for Site Acquisition Loans.

**Affordability:**

- **Levels** Same as for Site Acquisition Loans.
- **Term** Same as for Site Acquisition Loans.
- **Enforcement** Affordability covenants shall be recorded at the time that a SAFI Acquisition Loan is made.

**Project Feasibility** Lender shall determine that the project is feasible as proposed by the Borrower, to the extent of information that is available at the time of the application for a SAFI Pre-Acquisition Loan.

**Required Documentation** To be determined by Lender. Must include application, MAI appraisal, proposed sources and uses, and development plan.

**General Eligibility Certification** Borrower shall certify, as a condition of accepting funds; that:

- the project will comply with all requirements of the HPTF.
- the borrower will comply with all District and Federal legal requirements

## ***ELIGIBLE COSTS***

### **Predevelopment Expenses**

Predevelopment expenses associated with the redevelopment of the property. Predevelopment expenses may include appraisals, environmental, architectural, engineering, geotechnical, marketing, accounting, legal and financial consulting services.

### **Purchase Options**

Prospective borrowers may purchase the right, but not the obligation, to purchase the property evidenced by an option at a specific price at a future date, no later than twelve months. Loans for purchase options shall be repaid upon receipt of site acquisition financing. If the property is not purchased within twelve months, the Borrower will be required to repay the loan from other funds.

## ***INELIGIBLE COSTS***

### **Taxes and Liens**

Federal and District Taxes, liens and related penalties.

## ***LOAN TERMS***

### **Loan Limit**

Predevelopment: Predevelopment loans should not exceed five per cent (5%) of the value of the property or One Hundred Thousand Dollars (\$100,000) whichever is less.

Purchase Option: The maximum amount of a loan for a purchase option is ten percent (10%) of the purchase price or \$100,000, whichever is less.

Properties may qualify for loans for both predevelopment and purchase options.

### **Loan to Value**

Not applicable

### **Security**

Pre-Acquisition Loans shall be unsecured, but shall be included in the overall secured financing if the Borrower subsequently receives a SAFA Acquisition Loan to purchase the property.

### **Documentation**

Lender's standard application and origination documents. Lender's form loan documents shall be reviewed and approved by DHCD.

### **Term of Loan**

Not more than twelve (12) months from date of closing.

|   |   |
|---|---|
| <b>Repayment</b>                        | Pre-Acquisition Loans will be repaid (or added to the acquisition financing) at the time of site acquisition if the property is acquired, or within 12 months of loan closing if the property is not acquired.                        |
| <b>Application Fee</b>                  | Typical or standard application fee of Lender for other pre-acquisition loans.  |
| <b>Interest Rate</b>                    | A blended rate of the Lender's applicable interest rate and 0.5%, proportionate to the ratio of Lender funds to DHCD funds or loan guarantee. The 0.5% spread over cost of DHCD funds is intended to compensate Lender for its costs. |
| <b>Interest Payments</b>                | The Lender may require its usual schedule for interest payments.  |
| <b>Availability of Other DHCD Funds</b> | Receipt of a SAFI Pre-Acquisition Loan shall not prohibit a Borrower from accessing funds from other DHCD programs.   |
| <b>Lender Compensation</b>              | Lenders may charge their usual fees for loan applications, closing etc.   |

## ***ENFORCEMENT***

|                              |   |
|------------------------------|---|
| <b>Lender Responsibility</b> | Lender must exercise its reasonable discretion to determine whether a default should be declared, what steps should be taken to cure the default, and whether to initiate collection proceedings. |
|------------------------------|---|

### ***ATTACHMENT 3:***

#### ***FORM OF DEVELOPER APPLICATION***

1. Describe the sponsoring organization and its capacity to develop affordable housing.
2. How long has the organization been in existence? Provide the date organization was incorporated, and the date it received its 501(c) (3) status. Also provide other organizational documents (e.g. Articles of Incorporation, By-Laws, Etc.)
3. Who started the group and why?
4. What is the organization's mission and what are the size and composition of the staff?
5. Describe the organization's affordable housing development record, particularly with regard to projects of the types eligible for SAFI funding. What are the organization's accomplishments (include dates and current programs)? For each affordable housing development, provide a brief project description (e.g., type of housing, number of units, no. of affordable units, location).
6. List key staff members involved in development activities, and explain their relevant experience and responsibilities.
7. Describe the overall composition of the board (number, % within the neighborhood), and specific areas of expertise of board members which might be helpful to the organization during development of the proposed projects.
8. Provide an overview of the financial position of the organization. Current and past sources of operational support (include source, amount, and dates) and balance sheets (fund statements) for current and past two (2) years.
9. Provide documentary evidence that the organization is in compliance with Federal and District tax requirements or has a written current Agreement for the satisfaction of any outstanding tax liabilities.
10. Identify and describe the experience and qualifications of any ongoing development partners or team members:
  - Developer—If different from sponsor, summarize qualifications and experience with projects of similar size, type, and financing.
  - General Contractor—Explain qualifications of the selected or anticipated contractor, including age of firm. If not yet selected, explain the selection process—competitive bid, negotiation, RFP, etc.
  - Architect—Experience and qualifications of the design firm. Specifically

describe relevant project experience.

- Development Consultant—If used, explain qualifications and experience, as well as the role this individual or firm will play in the project.
- Construction Manager—if any

11. Describe any supportive services which are planned to be provided to tenants or homebuyers at properties acquired with SAFI funds, and state who will provide those services. If outside entities will be used, please describe their qualifications briefly.

***ATTACHMENT 4:***  
***FORM OF DEVELOPER CERTIFICATIONS***